



STATE OF THE REGION



December 31, 1997

STATE OF THE REGION

Foreword

Credit unions in the Southeast experienced another financially healthy year in 1997. Financial ratios for Region III credit unions improved in virtually all categories. Profitability continues to be impressive resulting in strong capital growth. Loan and share growth was impressive showing the Region III credit unions continue to adequately serve their members and maintain competitive loan and share rates. In fact, many Region III credit unions utilized the bonus dividend and interest refund to return additional earnings to their memberships.

As you know, we are currently assessing the potential impact of the recent U.S. Supreme Court ruling on the AT&T case. Field of membership expansions declined drastically during 1997 due to the restrictions imposed by the case. Offsetting that, however, was the growth in community charter conversions which increased the number of members being serviced by credit unions in the Region III.

The number of problem credit unions increased during the year. We continue to work closely with these credit unions to identify needs and improve operations. The Economic Development Specialist appointed early in 1997 was instrumental in sustaining ongoing assistance to those smaller credit unions identified as having specialized needs.

Region III will sustain its history of credit union support and initiation of efforts to improve member services.

I offer my appreciation to each of you who contributed to the success of the credit unions in our Region during the past year and look forward to achieving our mutual goals during 1998.



III

Alonzo A. Swann

Region III Director

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Regional Summary

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Regional financial trends were positive in most major areas. Capital strength, asset yield, and net income levels were comparable to national averages. Delinquency and loan losses remained stable with continued sound management of inherent risks. The following highlights the most significant accomplishments of Region III credit unions during 1997:

- ❖ We approved two new federal charters one of which was low-income designated. We insured one new state-chartered credit union.*
- ❖ The NCUSIF experienced no losses in fiscal year 1997 from Region III credit unions.*
- ❖ Seven credit unions were approved to convert from an occupational / multi-group charter to a community charter. As a result, credit union service is available to an additional 1,603,638 persons.*
- ❖ Five credit unions were approved to convert from an occupational charter to a low-income community charter. One credit union was approved to convert from an occupational charter to a community charter and simultaneously add a contiguous low-income community to their field of membership. This made credit union service available to an additional 382,829 persons in low-income areas.*
- ❖ Two credit unions were approved for low-income designations to better serve their existing memberships.*
- ❖ Twelve credit unions received more than \$25,000 in technical assistance.*

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Regional Financial Data

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SELECT RATIOS

FCU (1)

FISCU (2)

REGION

NATION

GROWTH RATIOS (3):				
ASSET	6.0	10.0	7.6	7.4
LOAN	6.3	12.8	8.7	8.6
INVESTMENT	4.3	4.8	4.5	4.6
SHARE	5.7	9.8	7.3	7.1
CAPITAL	8.1	12.4	9.6	10.3

KEY RATIOS (4):				
CAPITAL	12.4	11.8	12.2	11.7
NET CAPITAL	11.8	11.1	11.5	11.1
DELINQUENCY	1.1	0.9	1.0	1.0
LOANS TO ASSETS	68.4	66.3	67.6	66.1
NET LOAN LOSSES	0.6	0.5	0.6	0.6
NET LONG TERM ASSETS	18.6	13.7	16.7	20.2

PERFORMANCE RATIOS (5):				
GROSS INCOME	8.6	8.4	8.5	8.4
OPERATING EXPENSES	3.5	3.0	3.3	3.3
COST OF FUNDS	3.6	3.9	3.7	3.6
NET INCOME	1.5	1.5	1.5	1.5
PLL EXPENSE\NET NON-OPER	0.5	0.5	0.5	0.5
NET CAPITAL CONTRIBUTION	1.0	1.0	1.0	1.0

(1) FEDERAL CREDIT UNION

(2) FEDERALLY INSURED STATE CREDIT UNION

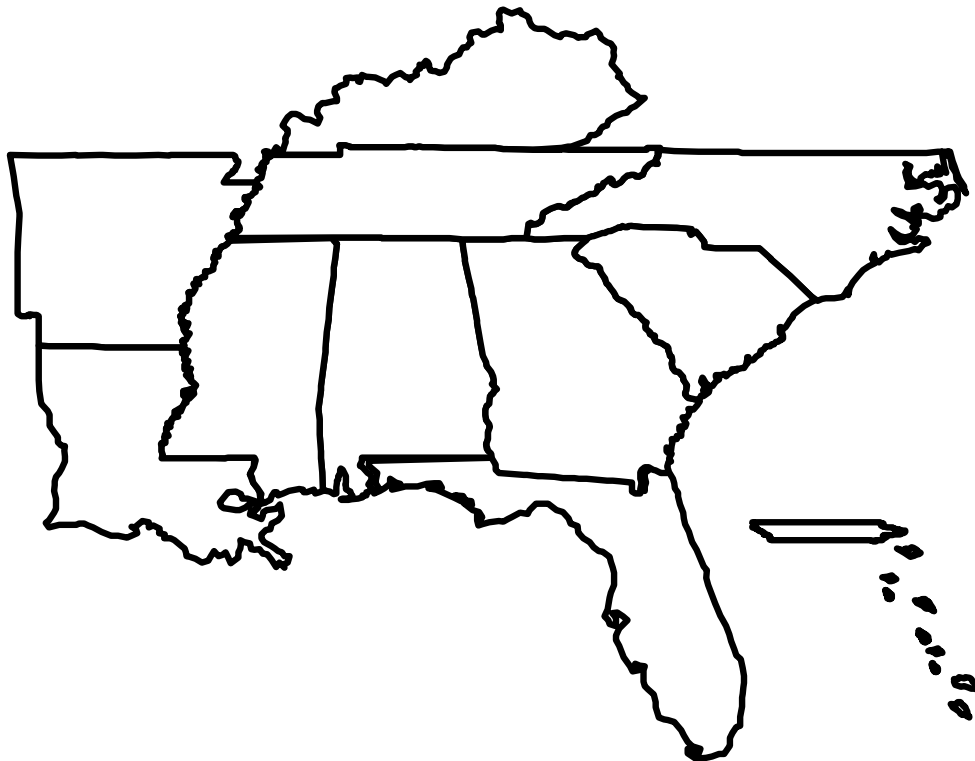
(3) ANNUALIZED

(4) AS A PERCENTAGE OF ASSETS

(5) AS A PERCENTAGE OF AVERAGE ASSETS (ANNUALIZED)

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Credit Union Distribution

Page 3



Puerto Rico and
the Virgin Islands

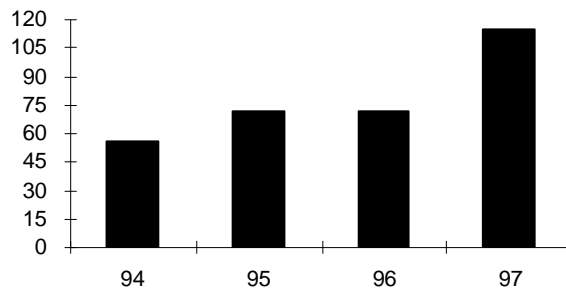
State
Assets

FICUs (1)

Alabama	196	\$5,799,759,146
Arkansas	86	970,012,273
Florida	265	17,407,594,533
Georgia	242	7,466,382,665
Kentucky	141	2,647,816,161
Louisiana	296	3,754,354,564
Mississippi	136	1,481,342,867
North Carolina	191	9,912,039,018
South Carolina	105	3,556,961,835
Tennessee	266	6,425,627,937
Puerto Rico	20	320,599,916
Virgin Islands	5	27,353,080
Total	1,949	\$59,769,843,995

(1) FEDERALLY INSURED CREDIT UNIONS

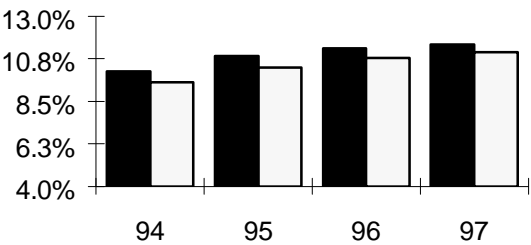
The number of reported losses increased in 1997 after remaining stable for the past two years. An operating loss was experienced by less than six percent of Region 3 credit unions.

OPERATING LOSSES

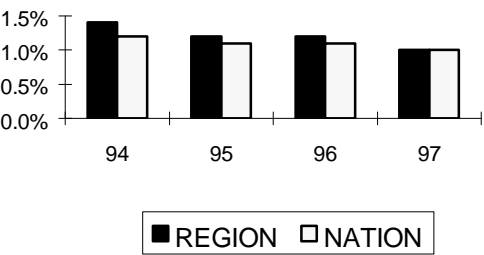
Net capital continued the positive trend experienced since 1992. Although loan losses increased slightly, stable delinquency and positive net capital contributions limited the potential impact on net capital.

Contributions to net capital declined slightly. Increased provision for loan loss expense and asset growth have reduced net capital contributions.

NET CAPITAL
(as a percentage of assets)

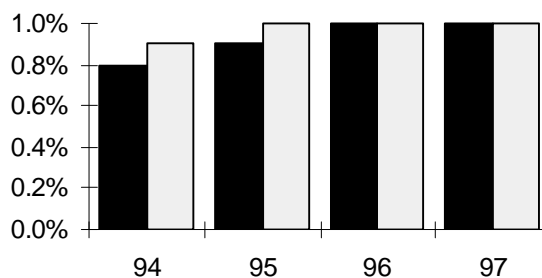


NET CAPITAL CONTRIBUTION
(as a percentage of assets)



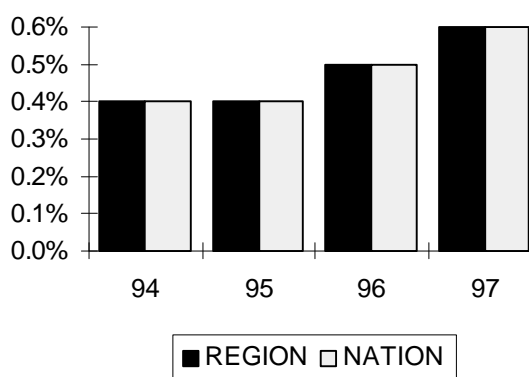
Delinquency remains stable and under control.

DELINQUENCY
(as a percentage of loans)

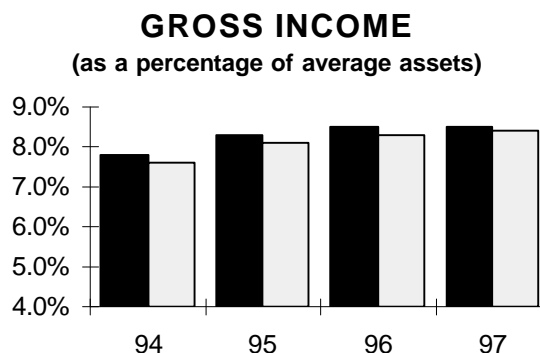


The increase in net loan losses in the region is comparable to the increase experienced throughout the nation. Delinquency remained stable over the past two years.

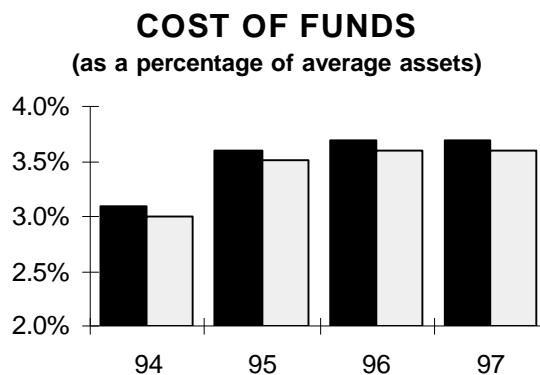
LOAN LOSSES
(as a percentage of average loans)



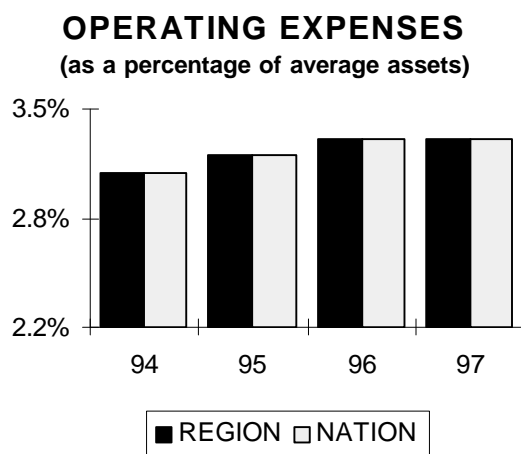
Asset yield remained stable during 1997.



Dividend rates remained stable during 1997 reflecting the current market rates.

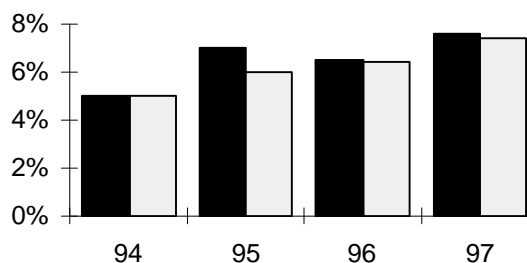


Operating expenses remained stable during 1997.



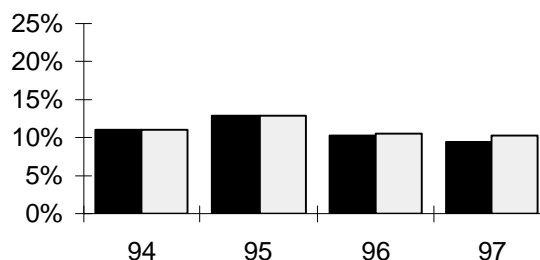
Asset growth in the region exceeded the national average during 1997.

ASSET GROWTH



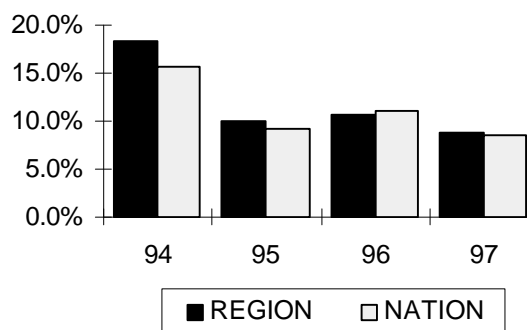
Equity growth slowed during 1997 reflecting the trend experienced nationwide.

EQUITY GROWTH

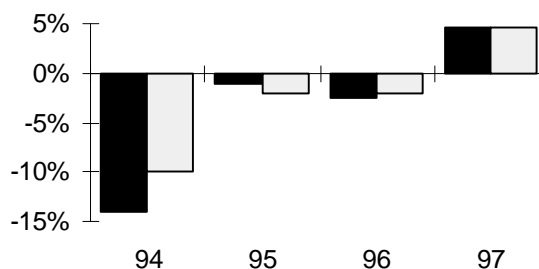


Loan growth moderated during 1997 yet still outpaced share growth.

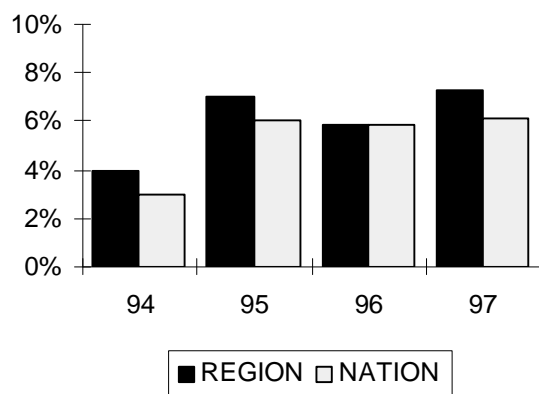
LOAN GROWTH



Investments increased moderately for the first time since 1993.

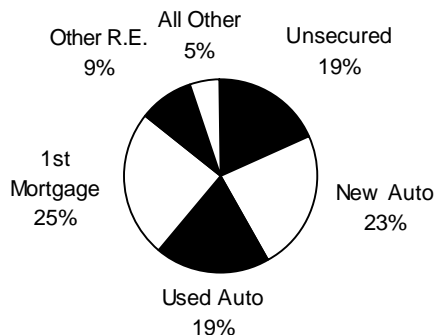
INVESTMENT GROWTH

Share growth increased during 1997 as credit unions continued to promote savings and offer attractive rates.

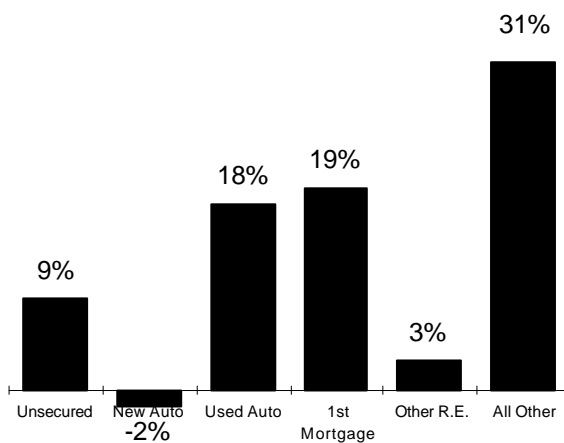
SHARE GROWTH

Although the rate of loan growth declined slightly during 1997, the loan-to-assets ratio continued its steady climb. Other loans, used auto, and first mortgage loans showed the largest increase in the region, similar to the national trends.

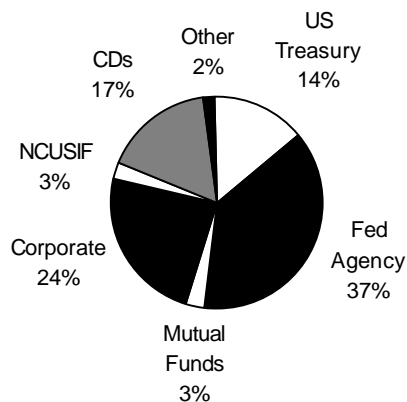
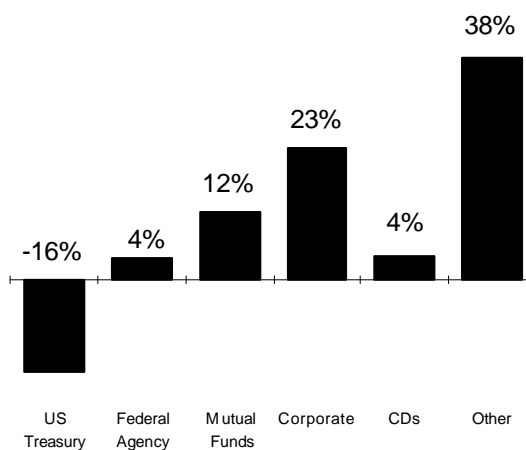
LOAN BREAKDOWN



LOAN GROWTH BY TYPE

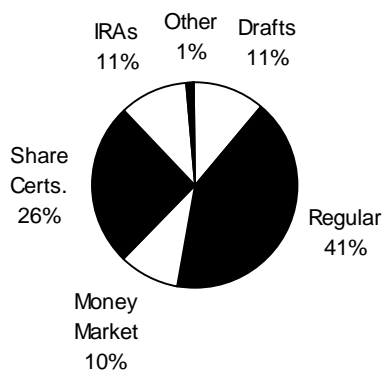


Investments increased during 1997 in all types with one exception. Federal agency securities grew slightly and continue to comprise the majority of the portfolio.

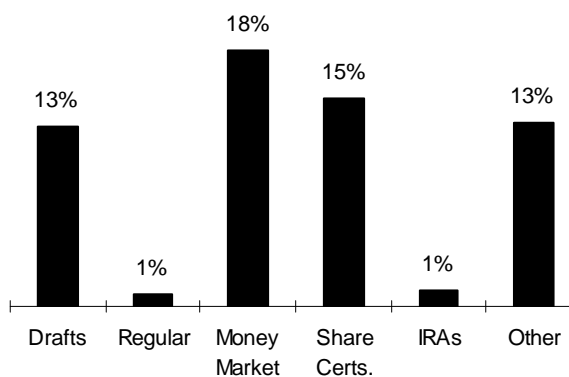
INVESTMENT BREAKDOWN**INVESTMENT GROWTH BY TYPE**

Share growth in both the region and the nation increased during the year. Although regular shares remain the predominant account type, money market and certificate accounts experienced the largest growth.

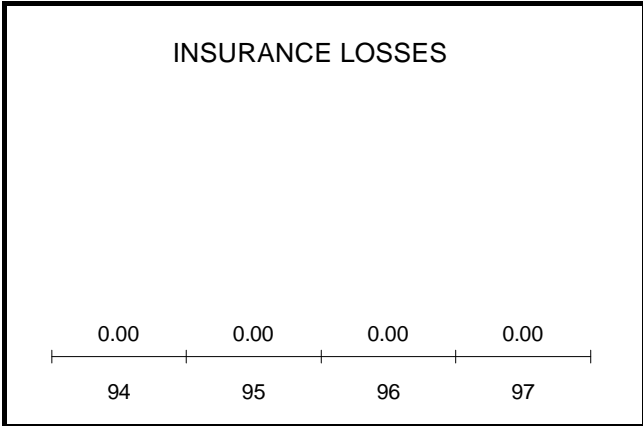
SHARE BREAKDOWN



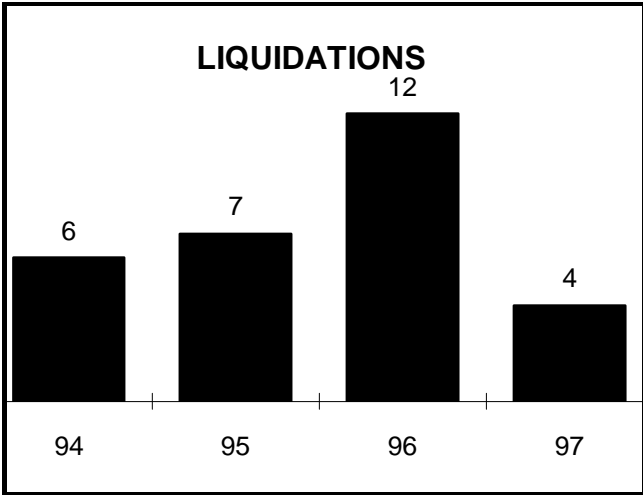
SHARE GROWTH BY TYPE



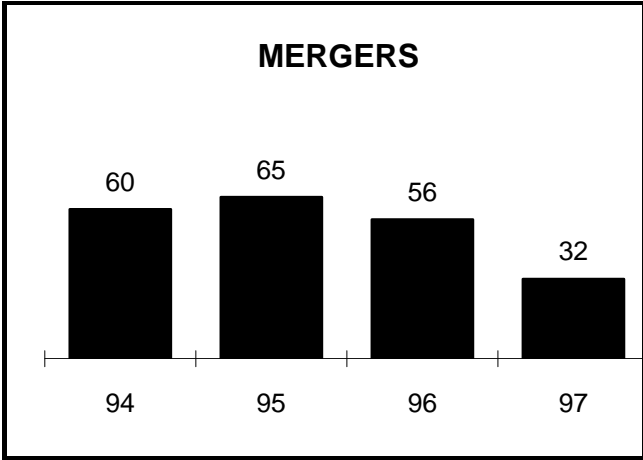
Due to a results-oriented examination/supervision program, Region III experienced no insurance losses in 1997.



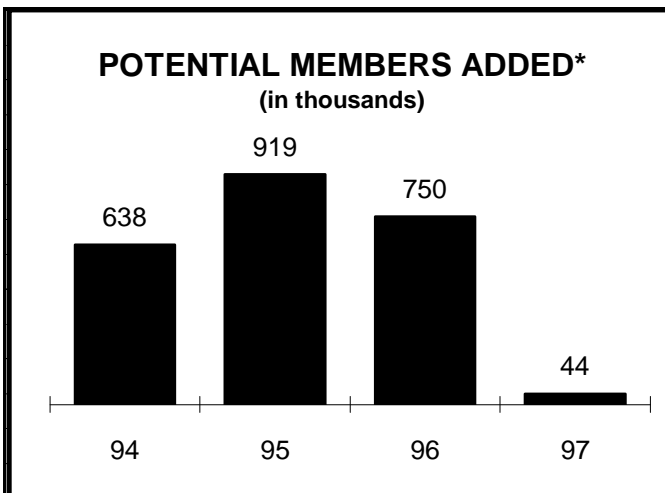
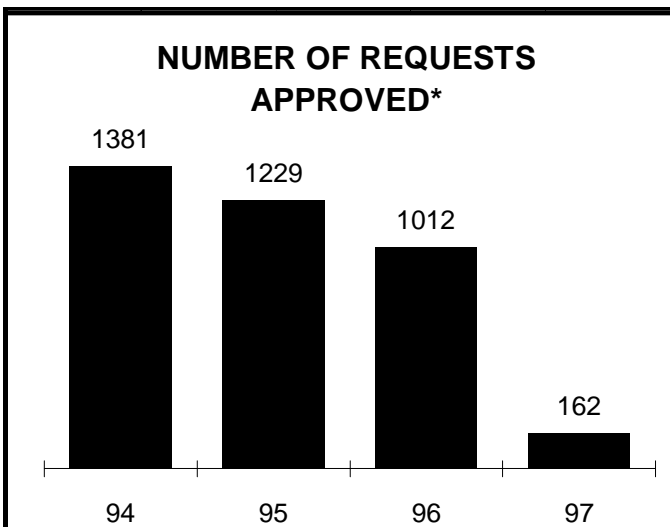
The number of liquidations declined considerably during 1997. Region III involuntarily liquidated two credit unions because of recurrent financial problems. Two credit unions self-liquidated due to sponsor closure and a dwindling field of membership.



The number of mergers continued to decrease in 1997 due to the “AT&T Decision”.



Field of membership expansions by occupational, associational and multi-group credit unions declined dramatically during 1997 due to the restrictions imposed by the “AT&T Decision”.



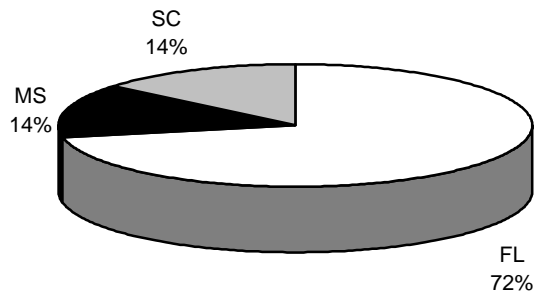
* 1995 and 1996 numbers reflect streamlined expansion procedures whereby approved credit unions expanded charters for small groups without coming to NCUA for approval. These charts do not include expansions resulting from conversions to community charters.

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Community Field of Membership Expansions Page 15

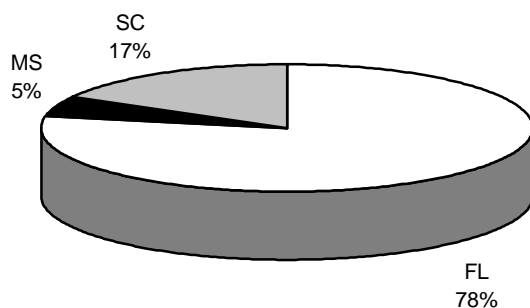
During 1997, seven credit unions in Region III converted from an occupational/multi-group charter to a community charter. As a result, credit union service is available to an additional 1,603,638 persons. This does not include credit unions that converted to low-income community charters.

Community Charter Conversions by State*



*As a percentage of total number of community charter conversions.
Chart does not include conversions to low-income community charters.

Community FOM Expansions by State**



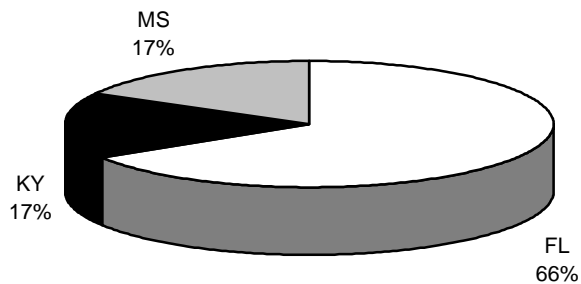
** As a percentage of total potential members added as a result of credit unions converting to community charters. Chart does not include conversions to low-income community charters or the addition of low-income communities.

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Low Income Field of Membership Expansions Page 16

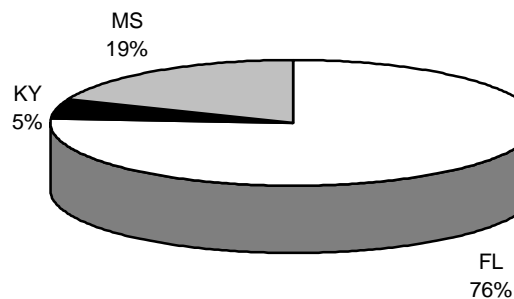
During 1997, the “AT&T Decision” continued to limit the number of credit unions expanding into low-income areas. In Region III, low-income FOM expansions were confined to six credit unions that converted to community charters. Five credit unions converted from an occupational charter to a low-income community charter. One credit union converted from an occupational charter to a community charter and simultaneously added a contiguous low-income community to their field of membership. As a result, credit union service is available to an additional 382,829 persons in low-income areas.

Low Income FOM Expansions by State*



* As a percentage of total number of low income field of membership expansions

Low Income FOM Expansions by State**



** As a percentage of low income potential members added

Georgia overall experienced growth in several economic areas although areas that experienced growth attributable to the 1996 Olympics felt an economic slow-down during early 1997. Aerospace firms felt the positive effect of orders to build airplanes for the military. Nisshinbo Automotive plans to build a \$100 million manufacturing plant in Covington to produce brake pads and linings. Augusta looks forward to 1,800 new jobs at a Korean polyester fabric plant to be built in the area. Georgia also benefits from increased NAFTA trade with Mexican and Canadian markets and the port in Brunswick has become the main gateway for export of Ford Motor company automobiles to Japan and Taiwan.

Alabama experienced job losses in apparel manufacturing plants during 1997, but offset these reductions with positive growth in several areas. The Mercedes-Benz manufacturing plant in Vance opened during the year and the sport utility vehicle experienced tremendous popularity. Boeing plans to establish a rocket plant in Decatur to become fully operational in 1999 bringing with it up to 3,000 new jobs. The state also enjoyed growth in the shipbuilding and agricultural industries.

Florida experienced continued growth in the tourism and recreation industries. Walt Disney World's 25th anniversary celebration attracted an increased number of tourists. Hotel and motel employment increased following the opening of new facilities. Travel industry analysts rated Florida as the number one summer vacation spot outpacing California and Hawaii. The state anticipates continued expansion in these industries with Walt Disney World and Universal Studios constructing new theme parks and Kennedy Space Center's planned visitor center expansion. The state approved a \$1 billion expansion of the Orlando International Airport to facilitate continued area growth. Florida also enjoyed growth in the agricultural sector with orange and sugarcane production during 1997 surpassing 1996 levels.

Mississippi and Tennessee experienced declines in manufacturing industry employment. Most declines were in the apparel industry as firms downsized or closed plants to improve efficiency. However, both states offset declines with expansion in several areas. NAFTA increased exports from Mississippi and Tennessee to Canadian and Mexican markets. Both states enjoyed growth in tourism with the casinos in Mississippi and Dollywood and Opryland in Tennessee. Mississippi's tourism jobs grew during 1997 due to further expansion of the casinos and related services. Tennessee felt similar job growth in the health services industry. As in other southeast states, Mississippi will benefit from government contracts to build military equipment – destroyers at Ingalls Shipbuilding in Pascagoula and cargo planes at Lockheed-Martin in Meridian.

Louisiana experienced a mixture of economic trends during 1997. The state maintained stable trends in tourism and trade. Both of Louisiana's key agricultural crops – cotton and rice – had declines in acreage and production during the year. Chemical and plastics firms continued plant expansions with firms such as Shell Chemical Co. and Marathon Oil Co. building new plants in Geismar and Garyville, respectively. St. James Parish will see the building of a Japanese plant to manufacture a high-grade form of iron. New Orleans anticipates the relocation of the U.S. Navy's high-tech software development and personnel records center resulting in approximately 1,500 new jobs.

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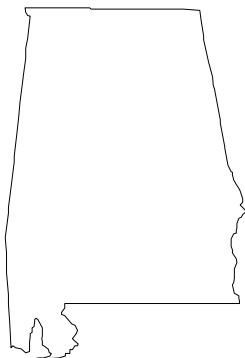
State Summaries (cont.)

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North Carolina and South Carolina continue to attract Japanese investors. North Carolina is home to Japanese firms manufacturing automobile parts and conducting pharmaceutical research. South Carolina is home to Fuji Photo Film Inc. and Honda of South Carolina Mfg. Inc. (HSC). HSC plans to build a new plant to manufacture all-terrain vehicles in Timmonsville – a venture that will offer 600 new jobs. North Carolina continues to benefit from expansion in the banking industry. Charlotte based First Union and Winston-Salem based Wachovia both completed significant acquisitions during 1997.

The economy remained stable overall in Kentucky and Arkansas. However, Arkansas' northwest corner remained the exception to the overall trend. This area contains a concentration of large businesses, such as Wal-Mart Stores, Tyson Foods, and Beverly Enterprises. Each of these firms expanded operations and fuel growth in that section of the state. The state continues to move forward toward building the next Presidential library which will be located in Little Rock.

The economy in Puerto Rico and the Virgin Islands continues to feel the negative effects of U.S. legislative action which reduced corporate tax breaks in those areas. The recovery from the 1995 and 1996 hurricanes has been slow. The U.S. Congress approved a referendum for Puerto Ricans to vote on whether they will remain a territory, convert to statehood, or become independent.



ALABAMA

Industries: Manufacturing, Apparel, Tourism

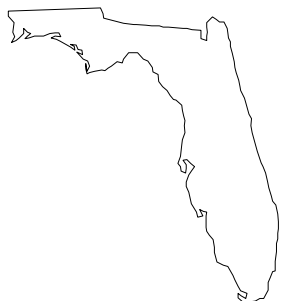
CU Trends: Strong capital, asset yield and net income
Loan losses comparable to the region and nation
Strong increases in used automobile and first mortgage real estate loans



ARKANSAS

Industries: Agriculture, Tourism, Health Care

CU Trends: Strong capital and net income
Strong growth in used automobile loans and second mortgages



FLORIDA

Industries: Retail, Tourism, Health Care, Agriculture

CU Trends: Strong capital and asset yield
Stable delinquency with loan losses above the region and the nation
Strongest loan growth in used automobiles and real estate



GEORGIA

Industries: Business Services, Manufacturing, Construction, Tourism

CU Trends: Capital strength exceeds regional and national levels
Strong net income despite increased operating expenses
Increased delinquency with stable loan losses
Strong growth in used auto and real estate loans



KENTUCKY

Industries: Energy, Services, Tourism

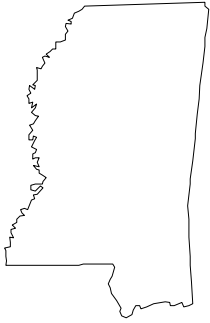
CU Trends: Strong capital and asset yield
Net Income surpassed region and nation despite increased operating expenses
Stable delinquency with loan losses above the region and the nation
Strongest loan growth in used automobile and real estate loans



LOUISIANA

Industries: Energy, Services, Tourism

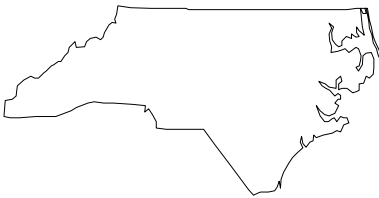
CU Trends: Capital strength and asset yield surpass regional and national levels
Highest delinquency, but loan losses comparable to regional credit unions
Significant loan growth in used automobile and real estate loans



MISSISSIPPI

Industries: Manufacturing, Retail, Tourism

CU Trends: Strongest capital levels of the lower 48 states
Stable net income despite increased cost of funds and operating expenses
Stabilized delinquency and loan losses
Significant loan growth in used automobile and real estate loans



NORTH CAROLINA

Industries: Furniture, Lumber, Agriculture

CU Trends: Highest share and asset growth in the region
Highest loan growth of the lower 48 states
Strong capital growth
Lowest net income in the region
Weakest asset yield despite loan growth
Delinquency and loan losses below region and national levels
Strong growth in used automobile and first mortgage loans



SOUTH CAROLINA

Industries: Retail, Agriculture, Lumber

CU Trends: Strong capital, loan, and asset growth
Average net income despite high operating expenses
Delinquency and loan losses above regional and national levels.
Strongest loan growth in used automobile and real estate loans



TENNESSEE

Industries: Automobile, Tourism, Agriculture

CU Trends: Strong capital growth
Capital strength surpasses regional
and national levels
Low delinquency and loan losses
Stable net income, cost of funds,
and operating expenses
Strongest loan growth in used
automobile and first mortgage loans

**PUERTO RICO**

Industries: Agriculture, Export, Tourism

CU Trends: Strong growth in capital, loans, shares, and assets
Strong net income despite high cost of funds
Increased delinquency and loan losses
Strongest loan growth in unsecured and automobile loans

**VIRGIN ISLANDS**

Industries: Agriculture, Export, Tourism

CU Trends: Strongest capital, loan, and asset growth in the region
Decreased delinquency and loan losses
Strongest asset yield in the region
Highest net income in the region despite high operating expenses

STATE FINANCIAL INFORMATION

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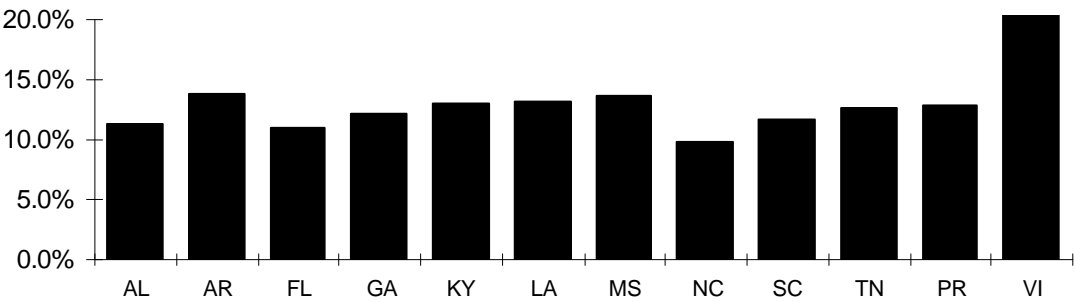
(FEDERALLY INSURED CREDIT UNIONS)

SELECT RATIOS	December 31, 1997												12/97	12/96	12/97	12/96
	AL	AR	FL	GA	KY	LA	MS	NC	SC	TN	PR	VI	REGION		NATION	
CAPITAL TO ASSETS	12.1	14.3	11.7	12.7	13.6	13.9	14.4	10.4	12.4	13.0	13.8	23.4	12.2	12.0	11.7	11.4
NET CAPITAL TO ASSETS	11.4	13.8	11.0	12.2	13.0	13.1	13.6	9.8	11.6	12.6	12.9	22.8	11.5	11.3	11.1	10.8
LOANS TO ASSETS	64.9	68.2	65.0	57.9	72.5	70.1	69.1	76.7	72.0	67.9	68.2	67.6	67.6	66.9	66.1	65.4
DELINQUENT LOANS TO LOANS	1.5	1.5	0.9	1.1	1.1	1.9	1.4	0.8	1.2	0.7	1.6	1.3	1.0	1.0	1.0	1.0
DELINQUENT RE LOANS (30+ DAYS) TO LOANS	0.6	0.6	0.4	0.3	0.2	0.5	0.4	0.7	1.0	0.3	0.1	0.2	0.5	0.5	0.4	0.4
NET LOAN LOSSES TO AVERAGE LOANS	0.6	0.5	0.8	0.5	0.7	0.7	0.7	0.3	0.7	0.4	0.7	0.1	0.6	0.5	0.6	0.5
GROSS INCOME TO AVERAGE ASSETS	8.4	8.5	8.7	8.4	8.9	8.9	8.8	8.0	9.2	8.3	8.7	10.8	8.5	8.5	8.4	8.3
COST OF FUNDS TO AVERAGE ASSETS	3.8	3.7	3.5	3.8	3.7	3.6	3.7	4.1	3.7	3.6	4.1	2.7	3.7	3.7	3.6	3.6
NET INCOME BEFORE RESEVES	1.4	1.7	1.6	1.4	1.7	1.5	1.5	1.2	1.6	1.4	1.8	4.2	1.5	1.5	1.5	1.5
PLL EXPENSE \ NET NON-OP EXPENSE	0.4	0.4	0.6	0.2	0.6	0.5	0.5	0.3	0.6	0.3	0.4	0.1	0.4	0.3	0.4	0.3
NET CAPITAL CONTRIBUTON	1.0	1.3	1.0	1.2	1.1	1.0	1.0	0.9	1.0	1.1	1.4	4.1	1.0	1.2	1.0	1.1
EQUITY GROWTH	7.9	10.3	10.5	9.0	9.5	8.1	7.2	10.5	9.9	9.9	10.1	20.6	9.6	10.3	10.3	10.8
SHARE GROWTH	3.2	5.7	9.2	6.2	4.7	4.7	5.5	11.2	7.5	4.4	7.9	1.5	7.3	5.9	7.1	6.1
ASSET GROWTH	3.8	6.4	9.2	6.7	5.2	5.4	5.7	11.5	7.5	5.1	8.3	5.6	7.6	6.5	7.4	6.6
LOAN GROWTH	4.0	4.0	8.4	8.8	7.2	6.0	5.5	15.8	8.5	5.8	10.3	17.4	8.7	10.7	8.6	11.3
INVESTMENT GROWTH	3.6	11.3	9.4	5.7	-0.8	2.9	2.5	-5.7	5.5	3.6	4.0	-25.8	4.5	-2.4	4.6	-2.0

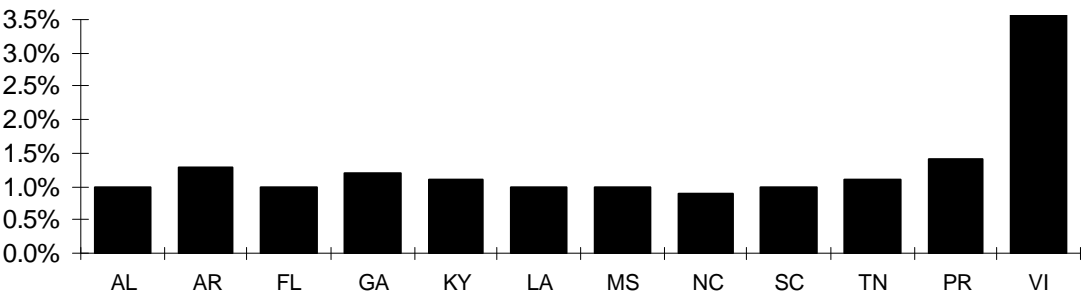


ANNUALIZED

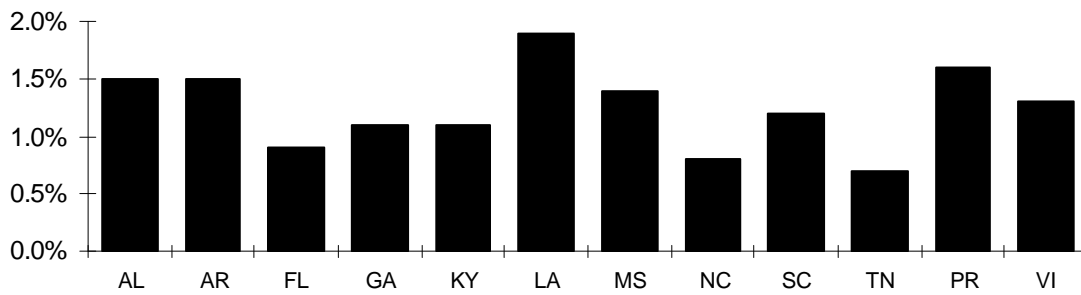
NET CAPITAL



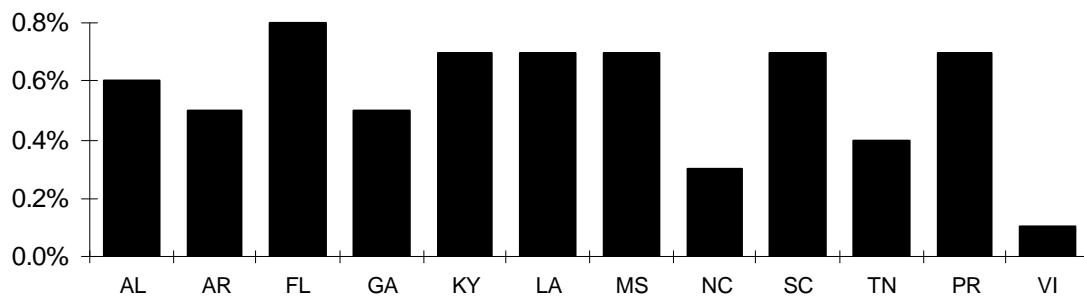
NET EQUITY CONTRIBUTION



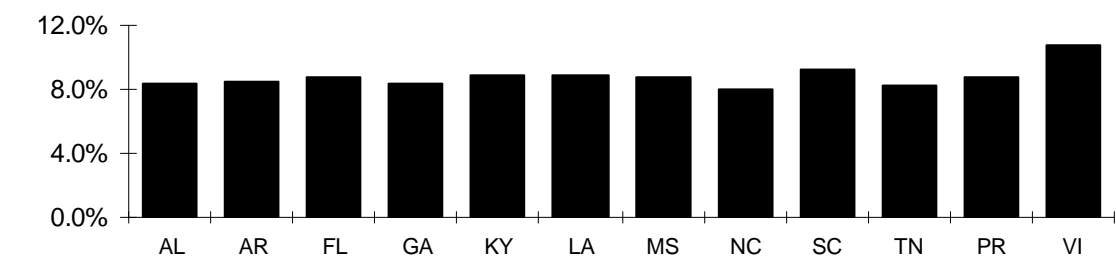
DELINQUENCY



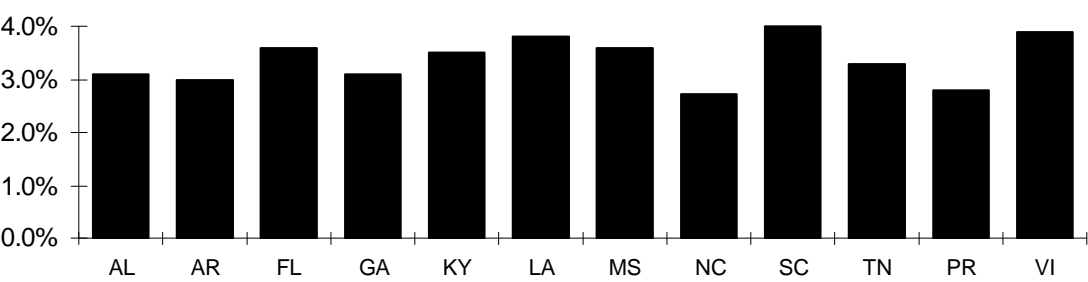
LOAN LOSSES



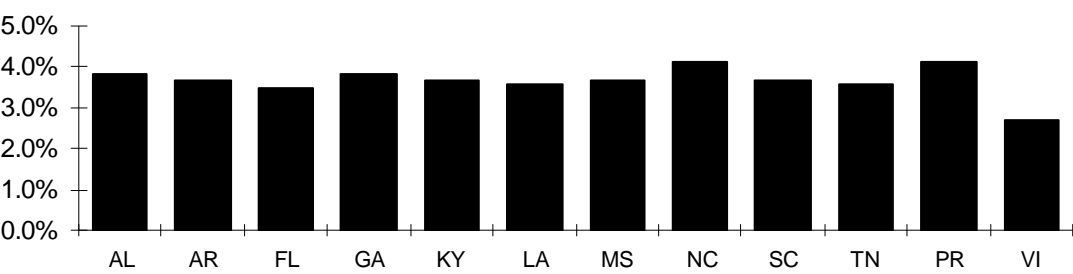
GROSS INCOME



OPERATING EXPENSES

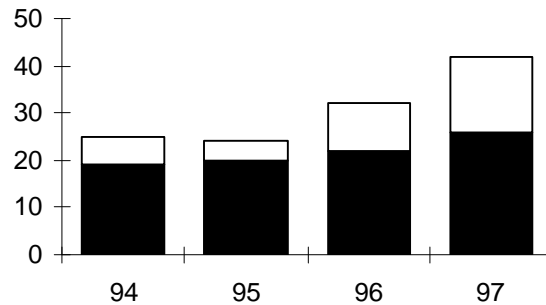


COST OF FUNDS



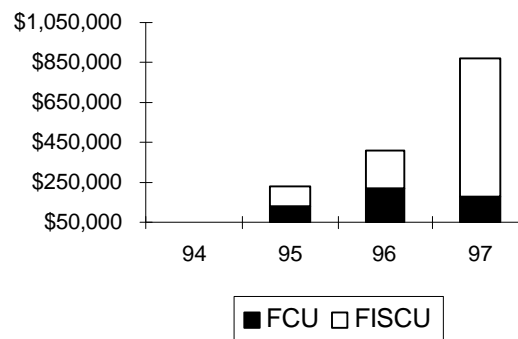
The number of problem credit unions increased during 1997. Ongoing efforts are successfully resolving the identified concerns.

CAMEL 4 & 5s



The assets of CAMEL 4s and 5s increased significantly as two large credit unions entered CAMEL 4 status in 1997.

CAMEL 4 & 5s (1)
(Assets 000's)



(1) 1994 Assets: \$ 771,000